Sir Oliver Franks called at the Secretary's request at 10:30 this morning on the subject of Iran. The Secretary gave Sir Oliver the substance of Henderson's last talk with Mossadeq and his conclusions as reported in Embtel 160 from Tehran. The Secretary then outlined to Sir Oliver the evolution of our thinking on Iran which had led us to believe we were faced with three possible alternatives which had been given to the British in Embtel 585 of last Saturday to London.

The Secretary stated that in view of developments since last Saturday we considered that we and the British should jointly approach Mossadeq as quickly as possible in an effort to reach a temporary solution to the problem. He indicated that we had no assurance that the plan he was proposing would be accepted but he thought it was important that it be tried quickly. He stated that in his view there were three criteria to any solution now possible. These were as follows:

1. Any plan given to Mossadeq at this stage should be exceedingly simple, and this of course meant that the solution sought would have to be temporary.

2. That oil must start flowing again in Iran as permanent subsidization of Iran to meet the budgetary problems would be impossible, and

3. That any solution must preserve the principle of property compensation for the British.

The Secretary then summarized our thinking as outlined in the attached Aide Memoire which he had submitted to Sir Oliver. After some discussion
Sir Oliver indicated that he would immediately transmit the Aide Memoire to the Foreign Office in London with background explanation of the Secretary's thinking. The Secretary told Sir Oliver that we would as well send the text to our Embassy in London right away.